

Message Text

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ACTION EB-08

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SUBJ: COLUMBIA GAS/MOSS ROSENBERG LNG PROJECT MOVES
ANOTHER STEP

1. ON APRIL 20 THE NATIONAL IRANIAN GAS COMPANY (NIGC) SIGNED (A) A LETTER OF INTENT WITH MOSS ROSENBERG (NORWAY) FOR THE DELIVERY OF A 680 MILLION DOLLARS BARGE MOUNTED LNG PLANT, AND (B) A PRELIMINARY 22 YEAR AGREEMENT WITH COLUMBIA GAS SYSTEMS (U.S.) FOR THE IMPORTATION OF LNG FROM IRAN TO COLUMBIA'S LNG TERMINAL AT COVER POINT, MARYLAND. A LOCAL PRESS ACCOUNT WHICH APPEARED YESTERDAY ALSO REPORTED THAT THE ONSHORE GAS TREATMENT (SWEETENING AND DEHYDRATION) PLANT WHICH WILL BE BUILT IN CONNECTION WITH THE FLOATING LIQUEFACTION PLANT WILL BE AWARDED TO LINDE AG (W. GERMANY) AND HOWALDTSWERZ-DEUTSCHE WERFT AT A COST OF ABOUT 100 MILLION DOLLARS.

2. ACCORDING TO COMMENTS MADE TO JOURNALISTS BY THE MANAGING DIRECTOR OF MOSS ROSENBERG, MIKAL GROENNER, FINAL AGREEMENT DEPENDS ONLY ON U.S. DOE APPROVAL AND ON MOSS ROSENBERG'S OBTAINING THE NECESSARY BANK GUARANTEES.

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GROENNER PREDICTED THAT REMAINING PROBLEMS WOULD BE RESOLVED AND THAT THE FACILITIES NEAR KANGAN ON THE PERSIAN GULF COULD BE COMPLETED BY MID-1982.

3. A VISITED COLUMBIA GAS OFFICIAL, JOHN TOWLE, IN A TELEPHONE CONVERSATION WITH AN EMB OFF ON APRIL 21 ALSO EXPRESSED CONSIDERABLE OPTIMISM THAT THE PROJECT WOULD

PROCEED. TOWLE SAID THAT THE ESCALATION CLAUSE BY WHICH LNG BASE PRICE WOULD INCREASE WAS BASED ON THE OFFICIAL PRICE OF IRANIAN LIGHT CRUDE (50 PERCENT WEIGHT) AND THE U.S. WHOLESALE PRICE INDEX FOR INDUSTRIAL COMMODITIES, LESS FUEL (50 PERCENT WEIGHT); AND, HE PREDICTED THAT FERC WOULD APPROVE THE APPLICATION, WHICH WILL BE FORMALLY FILED VERY SHORTLY, BEFORE THE END OF THE YEAR.

4. ENGLISH LANGUAGE KAYHAN TODAY (APRIL 25) CARRIED A STORY ATTRIBUTED TO NIGC, WHEREIN THE GOI DENIES THAT QUOTE AGREEMENT UNQUOTE WAS REACHED BETWEEN THE PARTIES ON THE DOLS 680 MILLION LNG PLANT. OUR INQUIRIES IN FACT CONFIRMED THAT A LETTER OF INTENT WAS SIGNED BUT CERTAIN DETAILS ON THE INTERNATIONAL TENDERING ASPECT OF THE DEAL MUST FIRST BE CLEARED WITHIN GOI BEFORE QUOTE FINAL AGREEMENT UNQUOTE CAN SAID TO HAVE BEEN REACHED.

5. COMMENT: THE EMBASSY IS OBVIOUSLY NOT IN A POSITION TO JUDGE THE RELATIVE MERITS OF THE COLUMBAI APPLICATION TO IMPORT IRANIAN LNG. HOWEVER, IN THE INTERST OF EQUITY TO ALL PARTIES AND IN ORDER TO FORESTALL NIGC COMPLAINTS ABOUT USG BUREAUCRATIC DELAYS WE FEVERENTLY HOPE THAT THE APPLICATION WILL BE REVIEWED AND DECIDED ONE WAY OR ANOTHER. SULLIVAN

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